

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 2024 - HB 2002**

April 8, 2014

**SUMMARY OF BILL:** Makes changes to the *Guaranteed Asset Protection Waiver Act of 2008* (Act). Defines a “related finance company” as a finance company that has common ownership of fifty percent or more with the retail seller (of motor vehicles). Specifies that a retail seller need not insure any GAP waiver if such waiver is a part of a financing agreement of which the seller’s financing company is a part. Any such retail seller of motor vehicles not required to insure its GAP waiver obligation may insure its GAP waiver obligation under a contractual liability policy or other such policy issued by an insurer. This bill shall take effect July 1, 2014.

**ESTIMATED FISCAL IMPACT:**

On February 10, 2014, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue - \$12,400*

Upon additional information received from stakeholders, this impact was in error. Based upon such information, the fiscal impact is:

**(CORRECTED)**

**NOT SIGNIFICANT**

Assumptions:

- The Department of Commerce Insurance (DCI) collects an annual 2.5 percent gross premiums tax levied on insurance premiums underwritten by property-casualty businesses.
- Pursuant to Tenn. Code Ann. § 56-4-203, revenue derived from the gross premium tax shall be used for state purposes only and is allocated to the state General Fund.
- This bill will effectively authorize some retail sellers of motor vehicles to offer GAP waiver protection under certain conditions. Authorizing motor vehicle dealers to offer GAP waiver protection will be outside the jurisdiction of DCI to levy the gross premiums tax; therefore, the gross premium tax will not be collected on such waivers offered directly from retail sellers.

**SB 2024 - HB 2002 (CORRECTED)**

- Three businesses impacted by this legislation do not currently offer GAP waiver protection under current law because it is cost prohibitive. Authorizing such businesses to offer GAP waiver protection as an exemption to gross premium tax will not significantly impact state revenue.

## **CORRECTED IMPACT TO COMMERCE:**

**Increase Business Revenue - \$495,000**

**Other Fiscal Impact - Businesses will use premium revenue from GAP waiver programs to offset expenditures incurred through the program. Due to multiple unknown factors, any revenue collected in excess of expenditures is unable to be determined.**

Corrected Assumptions:

- The three companies largely affected by this bill will now collect approximately \$495,000 (\$165,000 x 3 companies) in GAP waiver coverage premiums.
- Three companies will use premium revenue to offset expenditures under the GAP waiver program. Due to a number of unknown factors, any premium revenue in excess of expenditures is unable to be determined.
- Any net impact to Tennessee jobs is considered not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb